

AFMS Commodity Council

Integrity - Service - Excellence

Leveraging AFMS Buying Power



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Overview

- **What is a “Commodity Council?”**
- **Mission and role of the AFMS Commodity Council**
- **AFMS Commodity Council Process**
- **Anticipated Process Improvements**
- **What we’re working on NOW - the Medical Logistics Interface**



What is a Commodity Council?

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- **A “strategic purchasing unit”:**
 - **Programmatic approach to acquisitions**
 - **Approve buying strategy for goods and services**
 - **Spiral development -
needs/funding/contracting**
 - **Centralized to save time/resources**



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What is a Commodity Council? (Continued)

■ Commodity Councils:

- Put acquisition in the hands of user community with SAF/AQ input - retain control of programs
- Commodity Strategy Officials (CSOs) approve new strategies & programs
- Leverage buys to get best prices
- Work strategically with industry



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Impact of the IT Commodity Council

- **IT Commodity Council Spiral #1**
 - **Software License/Image Consolidation**
 - **Configuration Simplification**
 - **12,500 computers instead of 10,000 for the same dollars spent**
 - \$20M from 6 MAJCOMs pooled to buy 29,154 desktops instead of 17,360 that would have been purchased individually
 - **New leveraged buy price = \$648.00 (vice**

1129.57)
“the Air Force bought computers at a 30 percent discount by buying in bulk . . . And it’s a strategy that we plan to use more” John Gilligan AF CIO



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Example: Depot Jet Engine Bearing Opportunity

An analysis of bearings purchased for the Oklahoma City Air Logistics Center found . . .

242
Suppliers/Distributors

339 Contracts

1037 Contract Actions

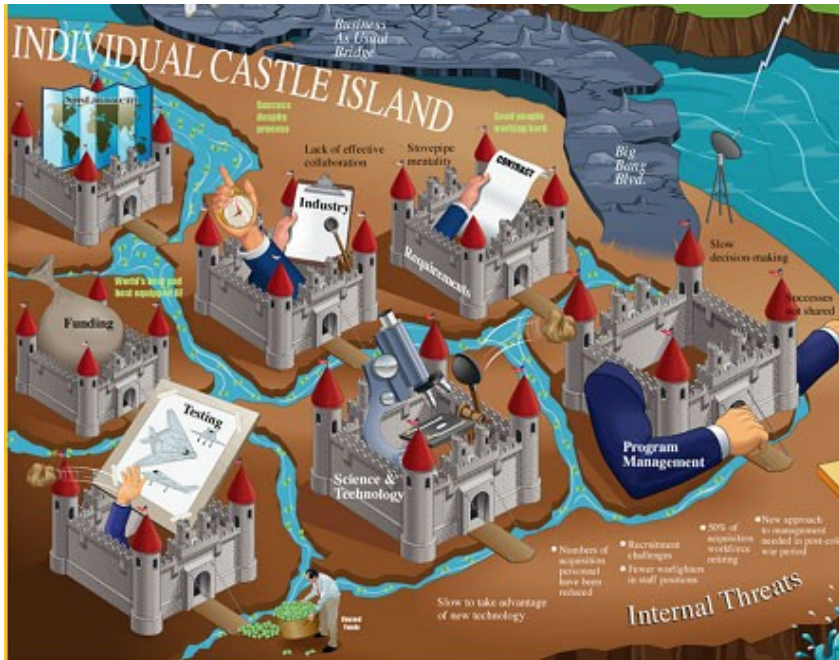
247,531 Avg. Annual Qty

Total Bearing Manufacturers
\$25.6M Avg. Annual Cost

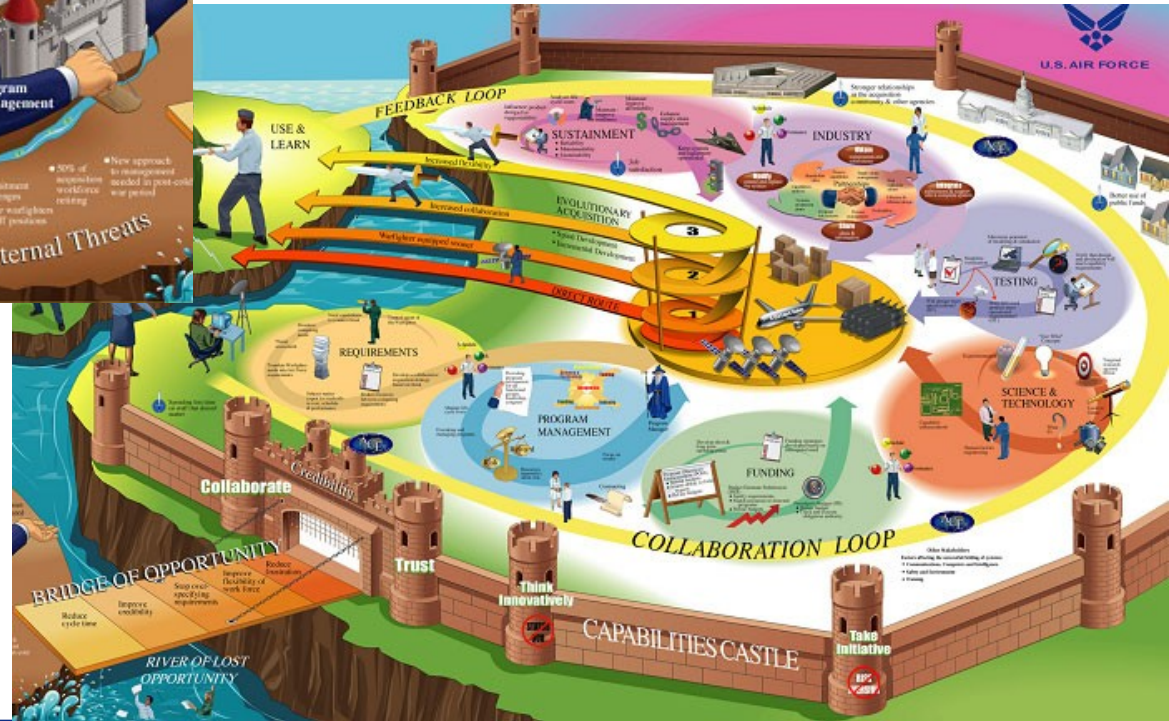


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Why Acquisition Transformation Now?



- AFMS/SG Goal: Align mission and Resources
- Sec Def Goal: Minimize acquisition cycle time
- CSAF Policy Ltr: Commodity Councils & Leveraged Buys



Policy changes officially recognize commodity councils

AFFARs, DoD 5000 series

Air Force Medical Service Commodity Council



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Mission

Support the AFMS and the Warfighter in enterprise-wide medical acquisition programs

- **Reduce purchase cost of services**
- **Reduce variation in services contracts by increasing standardization**
- **Accelerate delivery responsiveness by vendors**
- **Provide lifecycle management support**



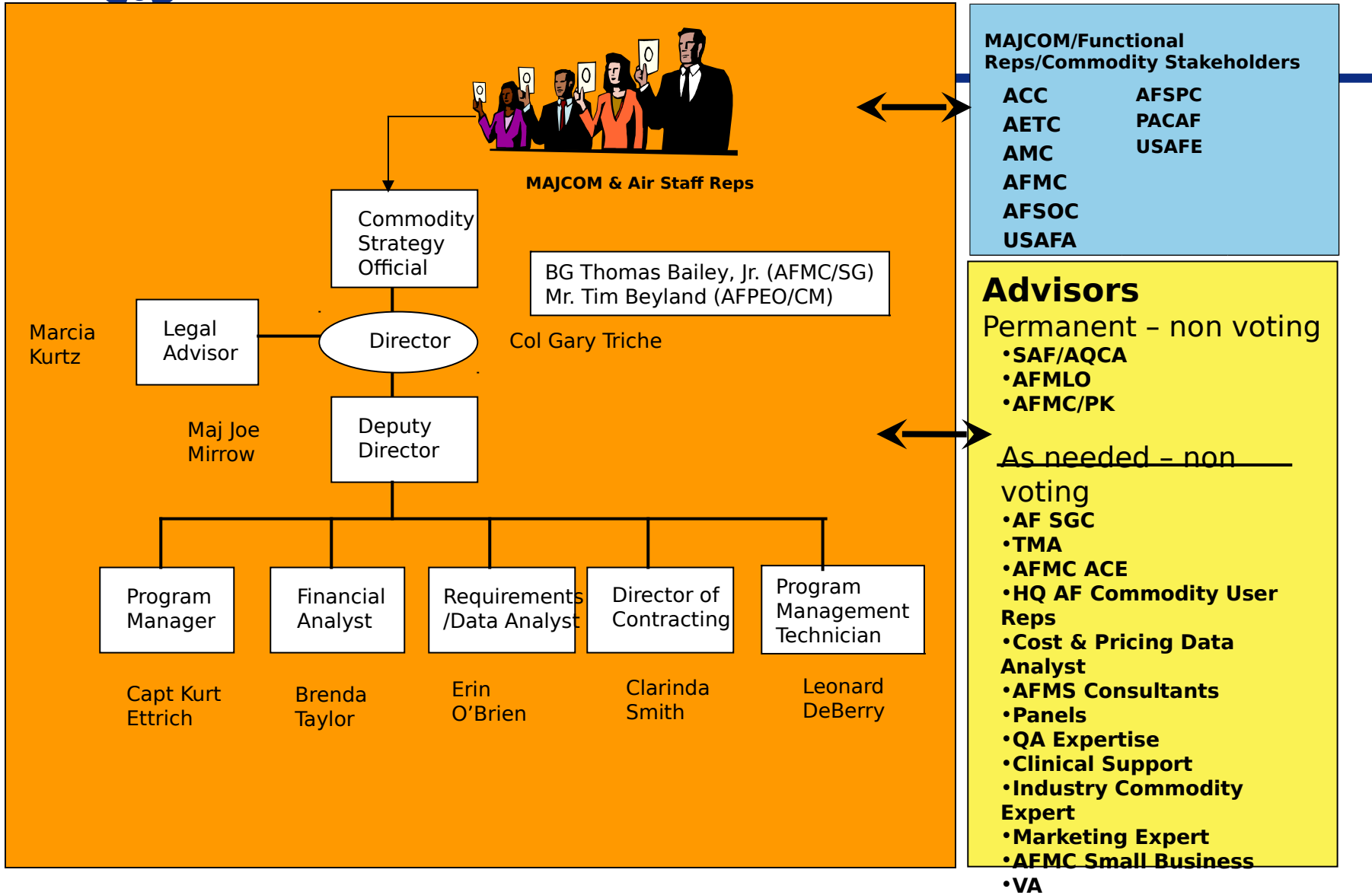
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Vision

To be the Air Force Medical Service source for enterprise-wide medical acquisition programs



GOVERNANCE: Medical CC





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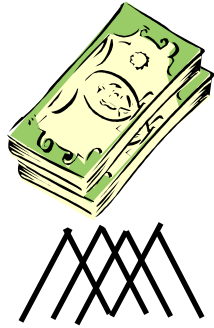
■ What it's not:

- A move to eliminate the VA Special Services
- A take over of AFMLOs mission
- An AFMS Contracting Office for Unique Requirements



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Current Process is Tactical



MAJCOMS



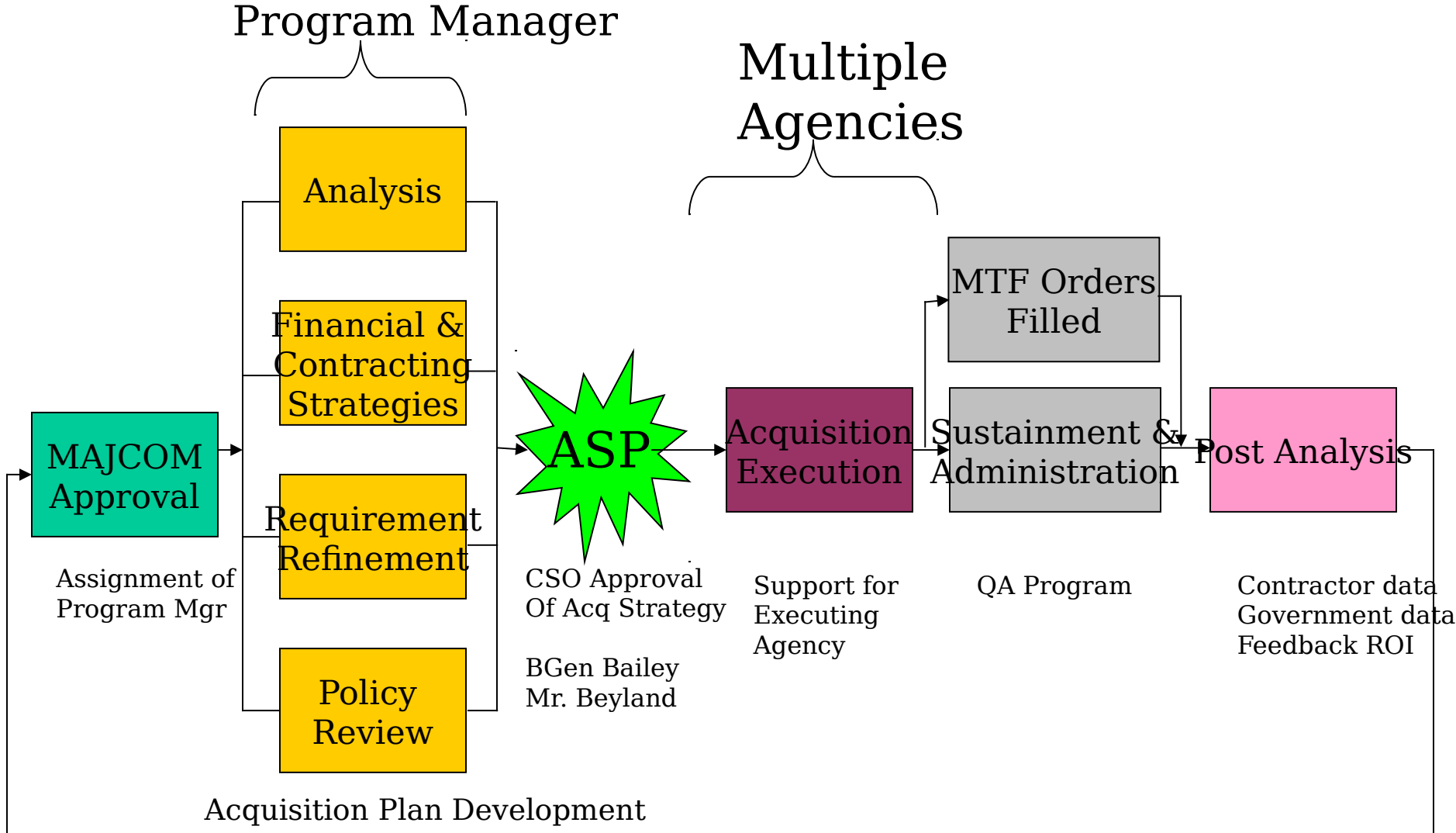
MTF MTF MTF MTF

- **Each MTF responsible for services contracting**
- **Leads to variation in:**
 - **Contracting office support**
 - **Contractor response**
 - **Contract costs**
 - **Contracting strategy**
 - **Number of contracts**
- **Other issues:**
 - **Acquisition thresholds**
 - **FAR Supplements**
 - **Lack of measurable ROI**



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AFMS Commodity Council Spiral Acquisition Process





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AFMS Commodity Council Anticipated Process

Improvements

- **Single Process for each “Service Area” (a Spiral)**
 - **Tied to POM and funding**
 - **Reduces number of services contractors**
 - **Improves Return on Investment (ROI) measurement**
 - **Acquisition thresholds internal to process**
 - **Simplified ordering**
 - **Improved contractor surveillance program**
 - **Opportunity to recommend/implement policy changes**
- **Save YOU Money and Headaches!**



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Current Initiatives

- **PCO Team Spiral**
- **Integrating comprehensive QAP process**
- **An “order entry” process for services**
 - **Normal Operations vs. Deployment Backfill**
- **How does each MTF reap the benefit?**
- **Keeping you informed**

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Contact Information



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Back Up Slides



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Commercial Industry Success

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Leading industry firms are radically reducing purchasing costs . . . over and over again . . . year after year

- **TIMKEN - 10% reduction across safety supplies and then another 23% by consolidating spend via third-party firm**
- **WHIRLPOOL - \$200M reduction this year (15-20% targets)**
- **INGERSOLL-RAND - \$300M (direct) and \$100M (indirect) savings achieved (avg. 17%. . . up to 50% savings in certain commodities)**
- **TEXTRON - \$100M saved in purchase costs this past year alone**
- **DUPONT - \$400M (14%) last year . . . this year's goal = \$1B**
- **KODAK - \$1.4B . . . double-digit productivity targets again this yr.**
- **ENGELHARD - 25% productivity improvement goals this year**
- **MOTOROLA PCS - Anticipates \$500M savings possible if standardization/commonality achieved across product lines**

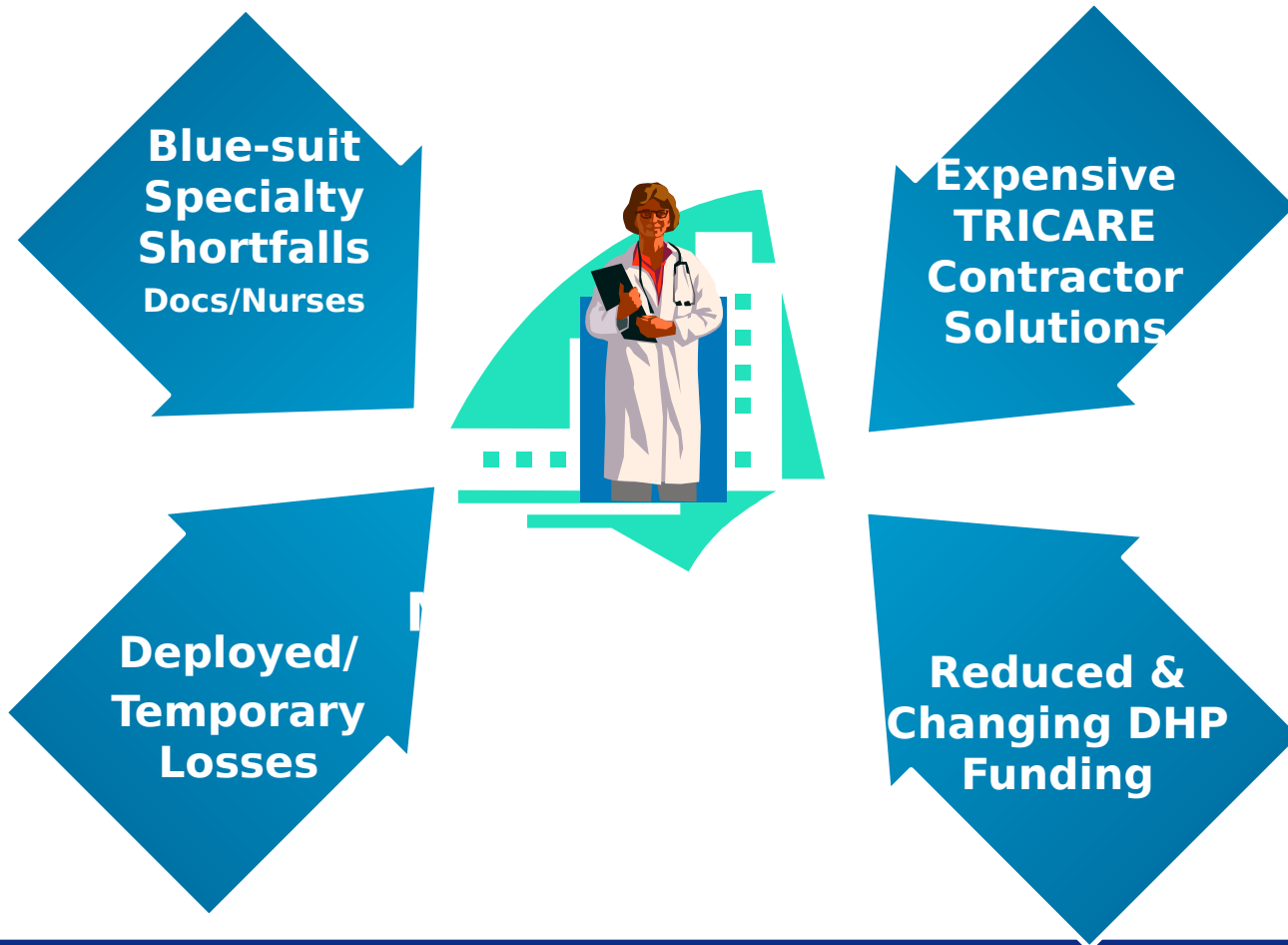
Manufacturers Alliance's Purchasing Council, Oct 02

Commodity Councils and volume leverage are key factors!



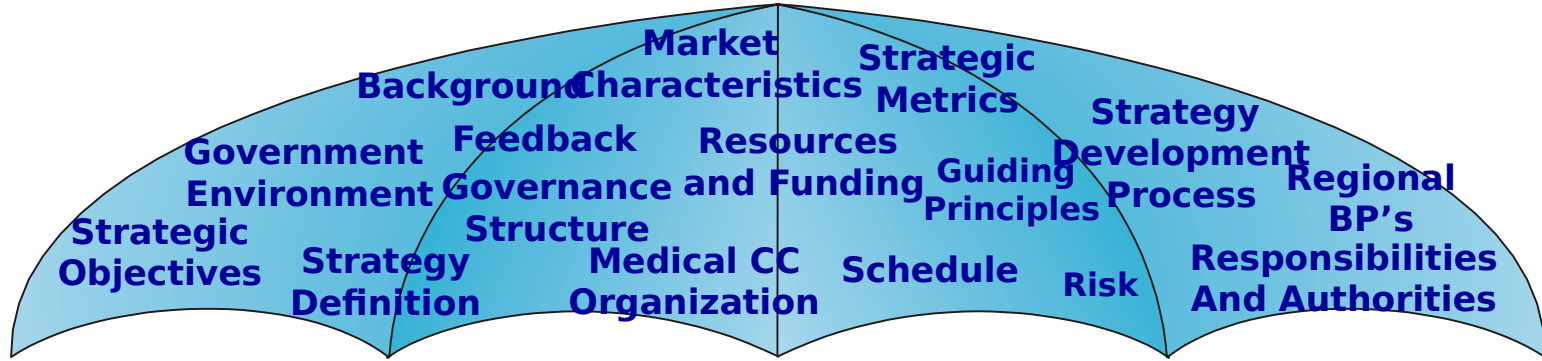
Converging Pressures

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CAMP STRUCTURE

Overarching Management Plan



One Annex for each product area

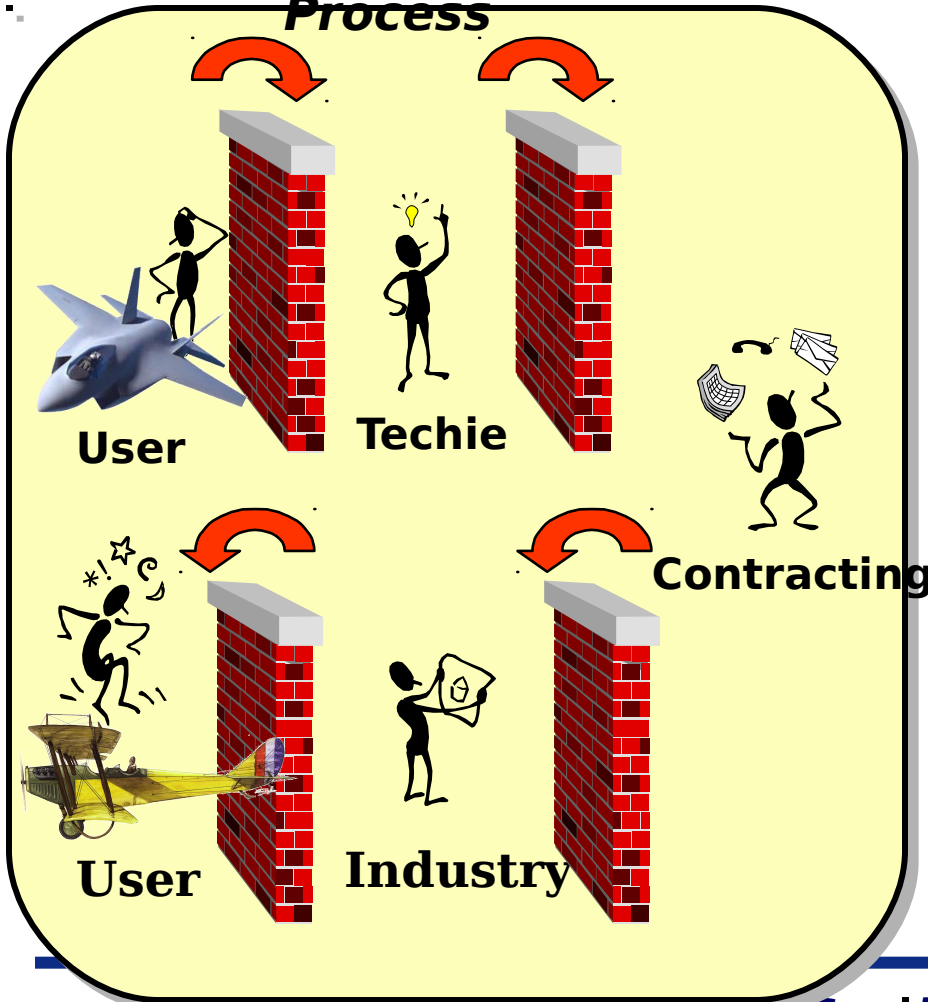
Spiral One	Primary Care Teams	AFMS Support Conversions	Spiral Three	Facilities Maintenance	Spiral Four
	Annex 1	Annex 2		Annex 3	
	Integrate BPs	Integrate BPs		Spend Analysis	
	Demand Forecast	Demand Forecast		Demand Forecast	
	Implementation	Implementation		Implementation	
	Future Strategy	Future Strategy		Future Strategy	



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Integrated Product and Process Development (IPPD)

Past Process



Integrated Development

